



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

December 15, 2011

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

STATE BUDGET – TRIGGERED BUDGET REDUCTIONS

On December 13, 2011, Governor Brown held a press conference to announce the latest report of revenue projections from the Department of Finance and to make a determination on the triggered budget reductions included in the FY 2011-12 State Budget Act.

The Department of Finance projects that State General Fund revenue will be \$2.2 billion below projections assumed in the current State Budget. This shortfall is \$1.5 billion less than the shortfall projected in the fiscal outlook released by the Legislative Analyst's Office on November 16, 2011. According to the Department of Finance, the difference in revenue projections is due to several factors including: 1) higher November sales tax collections; 2) higher personal income tax revenue; and 3) higher revenue generated from the Mental Health Services Act of 2004 (Proposition 63).

As a result of the \$2.2 billion shortfall, \$980.8 million of the triggered reductions outlined in the FY 2011-12 State Budget will be enacted beginning January 1, 2012. These reductions represent less than half of the total amount of trigger cuts contained in the budget. While all programs selected for triggered reductions will be impacted, the enacted cuts include a lower reduction in the Medi-Cal Managed Care Plan and a significantly lower reduction in Proposition 98 apportionments affecting K-12 education.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

Estimated County Impact

Based on a preliminary analysis, the overall impact to the County of the trigger cuts will be approximately \$380,000*.

ESTIMATED IMPACT TO LOS ANGELES COUNTY FROM TRIGGER CUTS	
Medi-Cal Managed Care Plan	(\$1,000,000)
In-Home Supportive Services (IHSS) Anti-Fraud Initiatives	1,500,000
Across-the-Board Reduction to IHSS Service Hours	20,100,000
Youthful Offenders Placements	(20,000,000)
Vertical Prosecution Grants	(680,000)
Public Library Grants	(300,000)
Overall Estimated Impact	(\$380,000)*

**Does not include potential indirect impact to DHS from reduced revenue from reimbursement of health plan benefits.*

Affected County Programs

The majority of trigger cuts will impact K-12 education, community colleges and higher education; however, the following County programs will be impacted:

Medi-Cal Managed Care Plan. Reduction of \$8.6 million for the Medi-Cal Managed Care Plan payments for counties. This trigger cut was originally estimated to be \$15.0 million statewide and **the Department of Health Services (DHS) estimated that the trigger cut would result in a County loss of \$1.0 million in FY 2011-12. DHS is evaluating the impact of the revised trigger amount.**

In-Home Supportive Services Anti-Fraud Initiatives. Eliminates \$10.0 million for In-Home Supportive Services (IHSS) fraud prevention, detection, referral, and investigation activities. According to the Department of Public Social Services (DPSS), the trigger cut will result in a loss of \$8.5 million in State and Federal funding currently supporting the County's IHSS Anti-Fraud initiatives. **DPSS indicates that the trigger cut will also eliminate the County's share of cost for IHSS fraud activities for a net County savings of approximately \$1.5 million in FY 2011-12.**

Youthful Offender Placements. Increase of \$67.7 million in county charges for youthful offender placements in Division of Juvenile Justice (DJJ). Beginning January 1, 2012, the State will charge an annual rate of \$125,000 to house offenders committed from counties to a DJJ facility. This will be a significant increase in the amount currently charged to Los Angeles County to house youth in DJJ, which has averaged \$77,000 per month for approximately 300 youth over the previous six months. While the number of youth committed to DJJ is entirely under the jurisdiction of the court and is variable, under the trigger reductions, **the Probation Department will be charged between \$18.0 and \$20.0 million by the State in FY 2011-12.** The County's Chief Probation Officer and the Chief Probation Officers of California are working with the Administration on potential solutions that may mitigate this impact.

Vertical Prosecution Grants. Elimination of Vertical Prosecution Grants managed by the California Emergency Management Agency with SGF savings of \$15.0 million. In Los Angeles, the District Attorney's Office uses this grant to support staffing for its Major Narcotics Vertical Prosecution Program and the Elder Abuse Vertical Prosecution Program. The District Attorney's Office indicates that the loss of this critical grant funding will eliminate fiscal support for six deputy district attorneys assigned to these vertical prosecution programs. **The District Attorney's Office estimates that this trigger cut will result in an estimated County loss of approximately \$680,000 in FY 2011-12.**

Public Library Grants. Reduction of \$15.9 million statewide for local assistance programs for public libraries. **The Public Library indicates that this will result in an estimated County loss of approximately \$300,000 in the budget year to purchase books and other library materials.** This cut is in addition to the \$15.2 million in reductions previously enacted in the FY 2011-12 State Budget for local libraries, which the Public Library indicates that it resulted in an estimated County loss of approximately \$1.0 million in the budget year.

Across-the-Board Reduction to IHSS Service Hours. Reduction of 20.0 percent in service hours for all IHSS recipients for a State General Fund (SGF) savings of \$100.0 million in FY 2011-12. According to DPSS, the County could lose receipt of an estimated \$37.4 million in SGFs and \$55.9 million in Federal funds for IHSS benefits. DPSS estimates that this trigger cut could impact most of the 184,000 individuals who currently receive IHSS benefits in the County. **DPSS estimates that these reductions in funding will result in a net County savings of approximately \$20.1 million in FY 2011-12, which represents the County's 17.5 percent share of IHSS provider payments.** In addition, this trigger cut could result in the loss of millions of dollars to the Department of Health Services (DHS) for health care coverage for IHSS providers. The impact on DHS is being evaluated.

Status of IHSS Trigger Cuts Temporary Restraining Order

On December 1, 2011 the Federal District Court issued a temporary restraining order requiring the State to halt all actions to implement the 20.0 percent cut to IHSS service hours. On December 13, 2011, the Court announced that it will hold a hearing on January 19, 2012 to consider whether to issue a more permanent order to block the 20.0 percent reduction to IHSS. While the hearing was rescheduled, the temporary restraining order will remain in effect until January 19, 2012.

County Task Force – IHSS Trigger Cuts

Pursuant to your Board directive of November 29, 2011, this office is working with DPSS, DHS, and the Personal Assistance Services Council, among others, to develop a coordinated strategy to outreach and process the anticipated high numbers of consumers who both request and submit an IHSS Supplemental Care application and who are eligible and do not apply, and to perform additional analysis and report as specified.

The Board motion also directed the Chief Executive Office, DHS, and DPSS to provide an analysis of the impact of the 20.0 percent reduction of IHSS hours on the IHSS provider health insurance program, including the number of IHSS providers whose hours may fall below 77 hours per month should the reduction go into effect and the fiscal impact to DHS should these providers lose their insurance; and to perform an assessment of potentially impacted IHSS providers to determine eligibility for alternative health insurance programs currently available under the 1115 Waiver. The report by the Task Force will be completed in the coming weeks.

We will continue to keep you advised.

WTF:RA
MR:KA:sb

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants